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POST-WAR PLANNING BY INDIVIDUAL FARMERS

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Throughout the history of this country, each major war has brought to agriculture an era of marked prosperity. In the past, however, such prosperity has been relatively short-lived, followed by substantially longer periods of much lower returns. History may not repeat itself after the present war; but wise farm and ranch operators will, in planning, remember the past. For if history does repeat itself, agriculture must again face a generation of diminished returns. Farm businesses that are safely maintained during a depression will also take care of themselves in prosperous times. On the other hand, farm businesses whose success depends upon the conditions prevailing in a prosperous era may fail under the pressure of adversity.

This publication has been prepared for two purposes: first, to sound a note of caution during these profitable times; second, to offer suggestions for guidance in planning for the next depression, should such a period follow the current era of high prices and high farm earnings.

No attempt is made to prophesy when a down turn may come. The thought is to suggest that a down turn can occur and that there is a need for early and adequate preparation. Many of our older farmers and ranchers vividly recall how fairly high prices (and net farm earning power) were maintained for a couple of years after the 1918 armistice, but were followed by a tobogganing downward into depression--a depression that lasted for about a decade and resulted in lowered standards of living, depreciated capital, increased debts, and mounting foreclosures. To be prepared for such an eventuality is to be forearmed. If the need never arises, so much the better. But if it does arise, one has the satisfaction of having been conservative.

Farmers today may well reduce their indebtedness to a low level and save funds to buy needed equipment and improvements when machinery, materials, and labor again become available. Purchase of war bonds is a particularly good method of saving money for future peacetime purchases. Owing to current shortages of labor and materials, durable goods for production and living often cannot now be replaced, nor can many needed improvements in buildings and facilities be undertaken. But when the war ends, civilian goods should again become plentiful, and farmers who have saved a substantial part of their net incomes should be able to make the long-postponed replacements and improvements.

This publication will note a number of ways in which farmers may prepare themselves to withstand a recession in prices, and hence in incomes, after the war; these include (1) reducing operating expenses, (2) improving yields, (3) diversifying, (4) changing the size of the farm, (5) reducing debts, and (6) producing family foods. Other possibilities will suggest themselves. Means may be found for obtaining a greater share of the consumer's dollar. Generally speaking, however, prices at any given time are determined by influences beyond the control of an individual farmer or rancher. True, there are some things he can do. He may shift from the production of commodities liable to be low in price to other commodities that promise better returns; he may, for example, produce registered livestock for breeders instead of grade livestock for butchering, or a brewing barley instead of a feed barley, or field seeds instead of feeds, or vegetables and flower seeds in place of truck crops. Sometimes he may increase his income by improving quality, by using better packages, by producing to sell when a cycle of prices indicates that some periods are more favorable than others (as in producing eggs to market in November and December), and by selling directly to retailers, hotels, or restaurants, or from roadside stands or farmers' markets. Even though such opportunities admittedly are limited, there is some chance for individual effort. Originality and initiative certainly should be encouraged.

IMPROVING PRODUCTION
(PER UNIT OF CROPS OR LIVESTOCK)

Improving the production per acre, animal, or fowl is one way to increase farm earnings, provided the higher production does not involve additional costs that equal or exceed the value of the increase. Today's yields from various enterprises on many California farms are substantially lower than could be obtained through emphasis on better farming practices. Crop yields can often be profitably increased by more or better use of commercial fertilizers, animal manures, green manures, soil amendments, high-quality seed, crop rotation, seedbed preparation, timing of plantings,

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rates of seeding, spacing of rows, cultivation, irrigation, and control of pests and diseases. Similarly livestock production can be improved by better feeding, stricter culling, reduction of mortality; control of insects, diseases, poisonous weeds, and predatory animals; fencing off of mud holes; rotation grazing; use of better and proved sires; reseeding of ranges; furnishing of feeds to supplement the range; provision of adequate shade in hot weather; reduction of traveling distance to water; adequate replacement of breeding stock to maintain herds and flocks in proper balance as to ages; finishing animals for market when prices are highest; use of breeds best adapted to farm or range conditions. Some of these provisions involve additional cash outlays; others do not. The use of more fertilizer, more labor, more spray materials, better seed, and better varieties can (and usually does) add to the money cost of growing a crop. Such measures are justified only when the returns are increased by as much as the outlays amount to, or more. But improved planning, work done on time, and better general management do not carry corresponding increase in costs.

Should the population of the state remain as it now is, or even increase, and retain reasonable buying power, the tens of thousands of workers in industrial war plants, later augmented by personnel discharged from the armed forces, will insure a continuing heavy local demand for many farm products. But even so, much of California's production will be compelled in the future, as in the past, to seek markets outside the state. If buying power is generally reduced in the markets normally supplied with California products, the result will be a relatively greater demand for staples and a relatively reduced demand for so-called luxuries. Adequate nutrition involves more consumption of dairy products, truck crops, fruit, and eggs. According to one publication, for the United States as a whole the increases in these products should amount to 40, 80, 20, and 20 per cent respectively.[2] Foreign demand may be another important factor, but how long and for what products cannot be predicted.

DIVERSIFYING CROPS

When considered in terms of maintaining, or preferably increasing, farm incomes during periods of low prices, a reasonable degree of diversification (that is, having two or more unrelated farm enterprises) has advantages over specialization in that better use can often be made of available labor, land, equipment, and working capital; by-products such as grain straw and stubble, bean straw, waste vegetables, and skim milk can be utilized as feeds; maintenance of soil fertility and control of weeds are more easily accomplished; and more sources of income are created.

Admittedly diversification has limitations for many California farms, since specialization is the rule. On many farms and ranches the soil, climate, topography, or water supply necessitates concentration upon a single crop or livestock enterprise.

But when an added enterprise is a possibility, then one should consider including it in the farm plan, particularly on the so-called family farms. There are sometimes opportunities for additions, such as producing truck crops and eggs or milk commercially along with fruit; producing feeders or finishing cattle, sheep, hogs, or turkeys, on field-crop farms; feeding part of one's crops to dairy cows; raising purebred livestock; growing instead of purchasing feedstuffs.

Diversification may involve more work, closer confinement, additional equipment or capital, or an increase in the debt burden. These offsetting factors should be weighed, and their possible disadvantages compared with the chance of increasing the earnings.

PRODUCING FAMILY SUPPLIES

The rationing of meats, butter, canned goods, and the like is impelling farmers who are properly situated to grow or produce their own. During the war, many needed foods can be produced by family gardens and berry patches; the keeping of a cow, a flock of chickens, rabbits, a hive or so of bees; the raising of a hog or two. More farm preserving or dehydrating of fruits and vegetables, curing of hams and bacon, making of wine and cheese, storing of eggs, and similar procedures may supplement actual production. Although such activities are minor and in normal times may not be justified, in wartime a combination of high prices, scarcity of goods, and limited trips to town changes the situation. If a period of very low cost returns must again be faced, the habit of making the family more self-supporting may prove valuable.

REDUCING OPERATING EXPENSES

On a rising market, in the past, costs of the things that farmers must buy have always risen more slowly than prices of agricultural products. Conversely, costs have tended to fall more slowly than prices. Farmers are therefore temporarily benefited by rising prices of agricultural products, but are at a disadvantage when those prices descend. To offset the adverse effect of lowered prices, any method of reducing costs deserves special consideration. Purchase of some things may be avoided or postponed. Perhaps the outlay for essential needs can be curtailed. The most promising plan, however, is to reduce farm expenses.

Savings on operating costs are a fertile field. Though a certain outlay is always required and

[2] United States Bureau of Agricultural Economics. American farmers and the United Nations Conference on food and agriculture. The farmer and the war: No. 5. 1-12. August, 1943.

must be forthcoming in order to carry on the work properly and protect capital, yet the total should be kept to a minimum. One should scan each item in order to avoid unnecessary expenditures. Typical suggestions are as follows: plan programs to employ labor, work animals, tractors, trucks, and implements to best advantage; put equipment in good working order in advance of its use; operate equipment carefully to reduce repairs and servicing outlays; pasture any crops whose yield will not pay harvesting expenses; purchase the cheapest feeds that conform to feeding standards; choose fertilizers that will provide required ingredients, but at a minimum cost per unit of required plant food value; raise feed instead of purchasing it; make fewer trips to town for supplies; cull out poor producing units; reduce cost of weed control by pasturing instead of cropping; buy necessary seeds, feeds, fertilizers, sprays, boxes, sacks, and the like in quantity lots, perhaps by pooling needs with other farm operators; eliminate unnecessary cultural operations.

Elimination or reduction of operating wastes, though an indirect method of increasing earnings, is by no means inconsequential, for it bears upon both the reduction of expenses and the improvement of yields. So many ways of curtailing wastes are possible that no one listing can indicate them all. An hour's travel in almost any rural community will show how farmers might increase their own profits by remedying improper practices and plain carelessness. Such things can be found as livestock pastured on wet fields and without adequate shelter; dead and diseased stock left lying on the ground, a possible source of general infection; pelts and hides not removed from dead animals; muddy chicken yards; swollen streams carrying off top soil from freshly plowed fields where a little levee or contour work would have kept the water within bounds; poorly drained country roads hub-deep in mud; improperly built, flat, uncrowned hay stacks incapable of shedding water; implements left unprotected in the fields; barnyards deep in mud that draining would relieve; hogs and cattle on newly planted alfalfa; grain in swales turning yellow because of failure to drain off surface water; structures blown over because of neglect to reinforce anchorage or foundation; weed seeds carried from ditches to farmed fields; rats, mice, skunks, weasels, rodents, and predatory animals permitted to multiply; weeds, insects, and diseases not controlled. Other wastes are involved in using hand labor when machinery will serve equally well; digging post holes when the ground is dry; plowing with dull shares; failing to keep machinery oiled and nuts tightened; using hay instead of straw for bedding; giving grain to work animals before they fill on hay; field feeding of hay to cattle in large instead of small piles; and feeding whole or unsoaked grain when grinding and soaking would result in fuller utilization.

While incomes are up and funds are therefore more readily available, and whenever parts can be obtained, all implements and machinery should be thoroughly overhauled, painted, and made serviceable so that replacement can be postponed. Similarly, needed repairs to buildings should be provided to permit full use for several years without the necessity of making outlays when incomes are low. Sometimes buildings can be remodeled to permit better or more complete utilization. Erection of new structures should be delayed, if possible, until costs are more in line with normal times. Reserving necessary funds now for use later on will safeguard such projects.

POSTPONING ADDITIONS AND IMPROVEMENTS

When arranging for additions or replacements of machinery, especially tractors and the more expensive implements and machines, guard against overmechanizing the farm. Buy what is actually needed, but do not overequip. Every machine must be employed a considerable number of days annually if the operating cost is not to be excessive. Sometimes good second-hand equipment will serve as well as new, and at smaller initial and subsequent operating costs. Cooperative buying with neighbors may have possibilities.

AVOIDING BURDENSOME DEBTS

One should hesitate now before buying a farm, or additional land, or an expensive machine, or erecting new structures (within priority limits). Land prices are definitely increasing; labor and materials for contracting or installing improvements are high. Machinery may be more expensive today than after the war. Debts incurred during periods of high prices and carried over into an era of low income not only can cause worry, but may result in foreclosure by the lender and loss of the property.

The farmer should avoid contracting any debt whose terms can become burdensome or impossible to meet from low income.

REDUCING DEBTS

Mortgage and other debts should be carefully reviewed. These should be reduced to a level that will permit paying installments on the principal, together with interest, under depression conditions. Sometimes refinancing by some other method may reduce the required annual payments on the principal, together with the interest rate and other charges.

One may well ask himself, "During the last depression what sum on my mortgage could I meet? What production credit could I use successfully?" The answers will provide a rough guide for the future.

SIZE OF THE FARM BUSINESS

Size of farm (or volume of output) is an important consideration. When prices are falling, the expense on large farms cannot be reduced so fast as on smaller ones, and hence greater losses can result. In times of stress, therefore, a small farm intensively and well operated can be a far better investment than a large farm extensively and poorly operated.

As a rule, however, large farms are more profitable than small ones when the going is good. Even during a depression, too small a business can be a serious handicap. In California many farms might be profitably enlarged to provide a larger volume of business in the future, a more efficient operating unit, and an opportunity for greater diversification. Under some conditions renting rather than purchasing may be advantageous, especially if capital is limited or if the purchase price is unjustifiably high in terms of future earnings.

A decision to increase the farming unit should take into account location and convenience; productivity; present and alternative use; asking price and terms; ability to finance; additional demands for labor, equipment, and supplies; necessary improvements; effect upon present and future earnings.

If the farm is either too small or too large for efficient operation, as measured by earnings, a readjustment may be in order. Similarly, a change to a greater volume of business by intensifying the type of agriculture (through selection of enterprises that have relatively high income possibilities) has the same effect as adding to the acreage. Conversely, a change from intensive to extensive types operates like a reduction in acreage. Any one of these adjustments may have definite possibilities for increasing the earnings.

CONCLUSION

Six major factors affect the earning power of farms--namely, sizes of farms, types and proportions of various enterprises, yields, prices received for farm products, costs of operating and maintaining farms, and operators' abilities. One should consider each of these factors when planning an agricultural pattern for any farm, particularly when facing the problem of indefinitely maintaining an earning power consistent with minimum demands. Each farmer must seek the best methods for himself. Each problem calls for discretion, judgment, and initiative. Each varies from locality to locality, and from farm to farm. Hence no prescription will apply with equal force everywhere. One can only point out that improvements are commonly possible, often necessary, and may mean the difference between success and failure in weathering periods of low prices and resultant low earnings.

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